Testimony of

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HB 5645 An Act Establishing a Tax on Social Media Provider Companies

HB 6176 An Act Concerning the Interstate Compact to Phase Out Corporate Giveaways

Good morning Senator Fonfara, Representative Scanlon and members of the Finance, Revenue & Bonding Committee. My name is Sal Luciano, and I am proud to serve as the President of the Connecticut AFL-CIO, a federation of hundreds of local unions representing more than 220,000 members in the private sector, public sector, and building trades. Our members live and work in every city and town in our state and reflect the diversity that makes Connecticut great. Thank you for the opportunity to provide testimony.

HB 5645 An Act Establishing a Tax on Social Media Provider Companies - SUPPORT

We applaud Representative Cheeseman for introducing this bill which would tax social media companies on revenue derived from digital advertisements they place in the state. We thank the Committee for holding a public hearing on this bill.

For decades, social media mega-companies, and tech giants like Google and Amazon, have grown exponentially by collecting personal information and availing themselves of state infrastructure without contributing anything to Connecticut taxpayers. They profit from surveilling and collecting data from Connecticut users and then employing that data to target their advertisements.

It's time Big Tech joined Connecticut taxpayers in investing in Connecticut. COVID-19 has shown us that we pull through by pulling together. Communities across Connecticut have come together during the pandemic, determined to help each other and leave no one behind. Now we must do the same as a state. We must join together to ensure that every one of us - regardless of income, gender, race or zip code – fully recovers from the economic harm of the pandemic.

The Maryland General Assembly was the first state legislature to enact such a law last month. Maryland HB 732 levies a 2.5% tax on in-state advertisement revenue for companies that earn between $100 million and $1 billion in global revenue. The rate increases to 5% for companies with revenue of $1billion; 7.5% for companies with $5 billion or more; and 10% for businesses generating $15 billion or more[1] The measure is expected to raise an estimated $250 million in its first year, with revenues earmarked for investments in public education. Similar measures have been implemented in Europe.

We support HB 5645 and similar measures in HB 6187 and SB 821 that establish a 10% tax on digital advertisements placed in Connecticut by companies with revenue of more than $10 billion. The tax would generate approximately $140 million annually for investments in public education, higher education, workforce development, affordable housing, affordable healthcare or any vital public service that has been under-resourced by COVID-19. Unlike corporate income, this revenue is not mobile. It is attached to a user with a location in Connecticut. As a result, firms have little room to use accounting conventions to change the origin of this revenue and avoid taxation.

We urge the Committee to support this bill.

[1] https://legiscan.com/MD/bill/HB732/2020

HB 6176 An Act Concerning the Interstate Compact to Phase Out Corporate Giveaways - SUPPORT

Governor Malloy's "First Five Program" was created in 2011 and later expanded and renamed "First Five Plus." The program gave DECD the authority and flexibility to construct any financial assistance agreements in loans, grants, tax credits, abatements and other forms of "assistance" for large-scale business projects it alone identified. DECD showered huge, profitable corporations with generous financial packages totaling more than $256 million of taxpayer dollars, but taxpayers still do not have any independently verified data about how, or if, these investments benefited our state or our economy.

Connecticut's own experience with corporate giveaways should have been sobering enough, but Amazon's proposed HQ2 project, in which the company promised to deliver 50,000 high-paying jobs to the state or community willing to provide the greatest tax breaks to the third-most valuable corporation in the world, was stunning. More than 200 cities engaged in a fever-pitched race to out-do the next. In the end, Amazon split the project between Northern Virginia and New York City, reaping billions of dollars in incentives. It appears to be business as usual for a company that paid no federal income taxes in 2017 and 2018.[2]

A study by Columbia Business School found that state and local governments pay out an average of $119,000 in tax incentives for every job created.[3] That's probably more than each job pays. That's not a deal that benefits taxpayers.

Rather than continue down the road of throwing good money after bad, HB 6176 stops the madness.
It is part of a multi-state, bipartisan effort to remove states from the endless cycle of subsidizing big corporations at taxpayers' expense. It would allow us to free up much-needed resources for education, workforce development and investment in our cities. It would allow us to think beyond chasing the next big fish to spending more on transportation infrastructure and quality-of-life issues that attract and retain a highly trained and talented workforce. Those are the things employers seek.

We urge the committee to put taxpayers first and support HB 6176.

Thank you for the opportunity to provide testimony.

[2] https://www.cnbc.com/2020/02/04/amazon-had-to-pay-federal-income-taxes-for-the-first-time-since-2016.html

[3] https://thehill.com/homenews/state-watch/483127-states-cities-rethink-tax-incentives-after-amazon-hq2-backlash